


THE CHALLENGING PATH OF  
REFORMS IN LEBANON

**THE ELECTRICITY SECTOR REFORMS  
REMAIN HOSTAGE TO ECONOMIC  
AND POLITICAL REFORMS**





This report is part of a series of reports produced by Maharat Foundation to track the progress of reforms highlighted in the Lebanon [Reform, Recovery and Reconstruction Framework \(3RF\)](#) which is part of a comprehensive response to the massive explosion on the Port of Beirut on August 4, 2020, launched by the European Union (EU), the United Nations (UN) and the World Bank Group (WBG)

## **1- INTRODUCTION**

The deterioration of the electricity sector has become a long-standing crisis that Lebanon has been experiencing for more than 30 years. Chronic mismanagement, weak governance, a deficient regulatory framework, corruption, and vested interests culminated in the near-total collapse of this sector amid the ongoing economic crisis.


Consequently, Lebanese people are constantly seeking alternatives due to chronic power cuts. This situation arises from the Lebanese authorities' failure to improve the management of Electricité du Liban (EDL) and reform the energy sector, forcing users to rely on expensive private diesel generators. This resulted in the violation of the rights of Lebanon's residents to access electricity, impacting their rights to an adequate standard of living, education, health, freedom of movement, and a healthy environment.

## **2- AN OVERVIEW OF THE LATEST DEVELOPMENTS RELATED TO THE ELECTRICITY SECTOR**

In April 2022, Lebanese authorities adopted the new energy strategy to restore financial sustainability and improve service delivery.

The strategy rests on four pillars: i) increasing generation and raising supply hours; ii) improving network performance, reducing losses, and enhancing collection; iii) strengthening the regulatory and legislative framework, and iv) updating electricity tariffs. The latter was implemented in November 2022, when electricity tariffs were increased for the first time since the 1990s. Although this increase was an important first step, its impact on the financial sustainability of EDL remains uncertain. This will depend on EDL's ability to enforce collection, reduce non-technical losses, and increase the electricity supply.


Furthermore, the electricity sector is still awaiting the implementation of the key reforms outlined in the "Lebanon Reform, Recovery, and Reconstruction Framework" (3RF), developed by the World Bank, the European Union, and the United Nations. This framework was designed as an inclusive, collaborative



process that is based on the participation of the government, civil society, the private sector as well as donors and development partners. Reforming the energy sector is part of the fourth pillar in the 3RF titled “Improving Services and Infrastructure”. It also constitutes a key requirement for the International Monetary Fund, the World Bank and other international donors.

In 2023, the scope of the 3RF Electricity Working Group, which is the only forum that exists in this sector, [expanded](#) to become more comprehensive. It no longer focuses solely on the original 3RF commitments related to the electricity sector, such as the operationalization of the Electricity Regulatory Authority (ERA). It has shifted to a broader approach, aiming to discuss longer-term solutions, based on the following priorities:

1. Support energy strategy so that the cabinet can approve (IMF prior action 10). Including EDL cost recovery plan (new tariff, reduce losses) and evolving towards efficient transmission system operator and creditworthy single buyer.
2. Outline longer term technical solutions, business model, regulatory framework and funding for the electricity sector. This includes discussion of the establishment of the Electricity Regulatory Authority.
3. Regarding regulations and funding, identify action to be taken now:
  - Refurbishment of NCC and the inclusion of the necessary technologies (including network reinforcements to accommodate increased renewable energy) and mobilize investment in utility scale renewable energy (cash waterfall approach or liquidity support) that would leverage decentralized renewable energy in the refurbishment.
  - Update of the decentralized renewable energy law to include more renewable energy-friendly provisions such as lease-to-own and/or pay-as-you-go schemes. Afterwards, speed up its ratification by the parliament.
  - Before decentralized renewable energy law is passed, discuss what can be done to feed a functional grid (e.g. by operating as a “standalone mini-grid”).
  - Increase the staffing level of the net-metering committee to speed up the net-metering review and approval process
  - Approve net-metering applications submitted by medium-voltage customers.
  - Energy efficiency law.
4. Support the renewable energy sector to allow for private sector investment, with an integrated approach including policies to be changed, tariff re-considered, legal set-up.



The purpose of this [working\\_group](#) is to receive feedback from a wider range of stakeholders on government and donor plans, before these are finalized, in order to improve implementation and applicability to the Lebanese situation.

However, there's no information on any additional meetings held by the group since the last in-person meeting which took place at the end of 2022. This inactivity may stem from the absence of a clear vision for the future direction of the electricity sector.

In the latest developments related to the EDL cost recovery plan, the caretaker Minister of Energy, Walid Fayad, [announced](#) the launch of a collection campaign led by Electricité du Liban with the support of the Ministry of Finance. This campaign aims to recover electricity payments from public water institutions using a "treasury advance" to cover their electricity debts for the period from November 1, 2022, when the new tariffs took effect, to June 30, 2023.

The significance of this step lies in ensuring equal treatment between all citizens and state institutions. It also contributes to strengthening the financial sustainability of Electricité du Liban, enabling it to increase electricity supply and improve service delivery.


This initiative is expected to contribute approximately 4,500 billion Lebanese pounds (50 million US dollars) to the account of Electricité du Liban at the central bank as payment for dues owed by the four water utilities during this period. These utilities represent the largest consumers of electricity in the public sector.

This move is part of the implementation of the decree issued on December 21, 2023, which allocates approximately 7,000 billion Lebanese pounds to cover the electricity bills owed by the water utilities to Electricité du Liban.

While the government grapples with the complexities of reviving Lebanon's electricity sector, there's been a notable surge in the adoption of renewable energy sources.

Indeed, as a result of the near-total collapse of Electricité du Liban in recent years, many households and enterprises in Lebanon have turned to renewable energy (primarily solar energy) to generate electricity, according to the [Lebanese Center for Policy Studies](#).

Financially, the private sector has invested over \$500 million in decentralized solar applications during the crisis. This doesn't include solar installations funded by international donors and relief organizations. [According to the Lebanese Center for Energy Conservation](#), it is estimated that decentralized solar energy installations have reached a total capacity of 1,000 megawatts by June 2023.



According to a report by the [International Energy Agency](#), the share of modern renewables in final energy consumption in Lebanon was approximately 4.03%.

To bridge this gap and reach the target of covering 30% of the country's energy consumption from renewables by 2030, which is part of Lebanon's national climate pledge, [as reiterated](#) by Lebanon's caretaker Minister of Energy and Water, Walid Fayad, in the sidelines of COP28, the Lebanese Council of Ministers approved, on March 23, 2022, a draft law on distributed renewable energy. This draft law, which was part of the Electricity Working Group priorities, was developed by the Lebanese Center for Energy Conservation, in collaboration with the Ministry of Energy and Water and Electricité du Liban, on distributed renewable energy. Subsequently, it was approved by the Lebanese Parliament during a session dedicated to urgent public matters held in December 2023, according to the Lebanese Center for Policy Studies.


Furthermore, the [National Determined Contribution update in 2021](#) submitted by Lebanon under the Paris Agreement put forward an ambitious mitigation target of 20% emission reduction as an unconditional target by 2030 with clear sector-specific objectives.

The fulfillment of these commitments would constitute a significant step in Lebanon's transition to renewable energy, aligning with the priorities of the Electricity Working Group.

### **3- CHALLENGES FACING LEBANON'S SOCIAL PROTECTION SYSTEM**

- **Failure to Establish a Regulatory Authority for the Electricity Sector:** The Ministry of Energy and Water previously extended the deadline for applications for membership in the regulatory authority for the electricity sector until [March 31, 2023](#). However, the ministry extended the deadline again until August 31, 2023 with no developments regarding the closing of the application period or the review of submitted resumes.
- **High Tariffs Versus Limited Income:** Since the collapse of the electricity grid and the increase in tariffs, which are now estimated in millions of Lebanese pounds per month, many low- and middle-income households have been forced to spend most of their monthly income on private generator subscriptions or cancel their subscriptions due to the high cost, according to a report by Human Rights Watch titled ["Cut Off From Life Itself."](#)

However, with the beginning of the current year and the dollarization of bills, the Electricité du Liban [announced](#) the cancellation of the 20% surcharge that was




added to the LBP - USD exchange rate on the Sayrafa platform applied to electricity bills. This is aimed at considering the difficult living conditions of low-income groups and encouraging productive economic sectors in the country.

- **Accumulating Financial Difficulties:** The economic crisis in Lebanon is putting pressure on all sectors, including the electricity sector. Administrative and financial corruption and the misappropriation of public funds worsen the crisis. Furthermore, the absence of a clear and comprehensive collection plan across all Lebanese regions, aimed at enforcing payment of overdue bills, has worsened the situation, resulting in decreased revenue for Electricité du Liban.
- **Technical and Non-technical losses:** Inadequate maintenance and a lack of investment in transmission and distribution infrastructure have led to significant technical losses. Additionally, non-technical losses, largely due to electricity theft and illegal connections, pose another challenge to the electricity sector.
- **Difficulty Implementing the Renewable Energy Distribution Law:** The absence of appointed members for the electricity regulatory authority is a major obstacle to implementing the renewable energy law, especially since the authority has several key functions. Additionally, given that Electricité du Liban will provide financial compensation to net metering subscribers for the surplus feed-in capacity, the current electricity billing system needs to be improved, [according to the Lebanese Center for Policy Studies](#).
- **Weak Financing for the renewable energy sector:** Securing funding is a major obstacle for Lebanon's renewable energy sector. The central bank, which offered subsidized loans to boost the sector in 2010, can no longer do so due to the ongoing economic crisis. Additionally, the collapse of the banking sector impedes access to financing opportunities from international financial institutions.

## **5- GENERAL RECOMMENDATIONS FOR REVITALIZING THE ELECTRICITY SECTOR IN LEBANON**

- **Financial and Macro-Economic Reforms:** The government must pursue financial and macro-economic reforms before launching any strategies or action plans aimed at reforming the electricity sector in Lebanon. Without comprehensive economic reforms, including the implementation of the International Monetary Fund (IMF) prior actions, Lebanon will not be able to unlock financial aid from the IMF and additional support from donors. Thus, the revival of the electricity sector depends on comprehensive economic reforms to unlock aid from international donors, restore Lebanon's international credibility and support economic recovery.

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- **Reduction of technical and non-technical losses:** Lebanon should work on reducing technical and non-technical losses in its electricity network by upgrading its transmission infrastructure and enhancing its bill collection processes.
  - **Infrastructure Modernization:** Governments should invest as much as possible in modernizing and upgrading the electricity infrastructure, including through the expansion of transmission networks and the rehabilitation of power plants.
  - **Promotion of Renewable Energy Use:** The use of renewable energy sources, such as solar, wind, and hydropower, should be encouraged, along with enhancing energy efficiency in buildings and industries, and implementing the decentralized renewable energy law.
  - **Fighting Corruption:** Corruption in the electricity sector must be fought by promoting transparency in procurement, contracting, and management processes, enhancing oversight, hold violators to account, and removing illegal connections to the national grid. Furthermore, establishing a regulatory authority for the electricity sector is essential to provide technical and economic oversight of generation and distribution sectors.
  - **International Cooperation Strengthening:** Lebanon can benefit from cooperating with international organizations and regional institutions that can provide technical and financial support, as well as facilitate the exchange of expertise for developing the electricity sector and strengthening human resource capabilities.